



Moody's Investors Service

New Issue: MOODY'S ASSIGNS Aaa TO TOWN OF CONCORD'S (MA) \$15.1 MILLION GO BONDS

Global Credit Research - 14 Jan 2010

Aaa RATING APPLIES TO \$72 MILLION RATED LONG-TERM DEBT, INCLUDING CURRENT ISSUE

Municipality
MA

Moody's Rating

ISSUE	RATING
General Obligation Municipal Purpose Loan of 2010 Bonds	Aaa
Sale Amount	\$15,100,000
Expected Sale Date	01/20/10
Rating Description	General Obligation

Opinion

NEW YORK, Jan 14, 2010 -- Moody's Investors Service has assigned a Aaa rating to the Town of Concord's \$15.1 million General Obligation Municipal Purpose Loan of 2010 Bonds. Concurrently, Moody's has affirmed the Aaa rating assigned to the town's \$57 million in outstanding rated long-term debt. Proceeds of the bonds, in addition to \$100,000 in enterprise revenue, will retire \$12.5 million of maturing BANs, originally issued to finance the Willard School project, and to provide new money financing for the school project and various municipal capital improvements. The Willard School bonds are secured by the town's unlimited general obligation tax pledge as voters have excluded debt service for the project from the limitations of Proposition 2 ½. The balance of the bonds, \$2.2 million, is secured by the town's limited general obligation tax pledge. The Aaa rating reflects a solid financial position supported by long-range planning and effective policies, a seasoned and effective management team, solid voter support for Proposition 2 ½ overrides and exclusions, moderate future growth potential relative to regional and national trends, an affluent tax base, and an affordable, aggressively-managed debt position with additional debt expected.

SOUND FINANCIAL POSITION WITH HEALTHY RESERVES AND WELL-MANAGED OPERATIONS

Moody's anticipates that the town's overall financial position will remain stable, despite pressure from declining state aid revenues, given the town's effective management team and comfortable reserve levels. The town enjoys additional financial flexibility to absorb future budgetary pressures due to its moderate excess levy capacity and a strong history of voter support for overrides of Proposition 2 ½ for operations and capital projects. The town's draft fiscal 2009 financial statements indicate a modest decline of \$736,000 in total general fund balance after five years of operating surpluses. The decline was partially due to over expenditures in snow removal and the appropriation of free cash for the subsequent year's budget. However, undesignated general fund balance grew to \$8.9 million, a solid 11.4% of general fund revenues, largely due to conservative revenue forecasting and tight expenditure controls. Since fiscal 2000, voters in the town have approved a total of over \$8.5 million in tax levy increases to support operations, providing the town flexibility in planning and avoiding significant service reductions. Additionally, voters have approved over \$90 million in Proposition 2 ½ debt exclusions in support of municipal and school capital projects, greatly relieving pressure on the town's operating budget. Voters also approved the Community Preservation Act in 2004. This allowed the town to collect a 1.5% surcharge on the tax levy and granted access to state matching funds, which together have yielded over \$5.3 million, to date, to finance affordable housing, open space and historical preservation initiatives. To support operations the town relies heavily on property taxes, which accounted for 79.6% of operating revenues in fiscal 2009 (unaudited). Collection rates remain very strong at over 99% on a current-year basis.

Operations for fiscal 2010 are expected to be balanced with ending reserve levels roughly in line with those of fiscal 2009. Revenues are performing close to budget, however a modest decline in free cash is possible. The town retains modest financial flexibility with \$912,000 in unused property tax levy capacity. The fiscal 2010 budget includes a 3% expenditure increase, which is balanced largely by property tax levy increases

within the limitations of Proposition 2 1/2. Overall expenditures in fiscal 2011 are projected to rise a modest 2% over the fiscal 2010 budget. While state aid is projected to fall by roughly 10%, the town projects sufficient revenue, without an operating override of Proposition 2 1/2, to maintain departmental budgets by freezing most town department budgets and managing personnel-related expenditure increases, without a reduction in unused levy capacity or layoffs of school or town employees. Moody's anticipates that the town's historically conservative approach to budgeting and strong history of voter support for tax levy increases will maintain moderate flexibility in the medium term.

Concord's pension system was expected to be fully funded in fiscal 2012, but due to fiscal 2009 investment losses of roughly 25% the town's funding schedule is likely to be extended although the town is expected to remain well within the state-mandated deadline of fiscal 2030. On achieving full funding of the pension system, the unfunded liability portion of the town's annual retirement contribution, approximately \$1.5 million in fiscal 2008, is expected to be appropriated to begin funding its OPEB liability although this plan has been postponed due to the anticipated increase in unfunded pension liability. The unfunded actuarial accrued liability, which primarily covers 50% of retiree health insurance and is expected to be significant given the town's annual pay-as-you-go cost of over \$994,315, has not yet been identified. Concord plans to complete an actuarial study this year and expects to fully comply with reporting as required under GASB 45. Operating cash is invested fully in compliance within the Massachusetts statute (MGL chapter 44, section 55) establishing investment policy for municipalities, which prohibits certain high-risk investments and requires diversification among financial institutions. While pension and other trust funds are permitted wider investment options, the town reports negligible exposure to mortgage-backed securities.

WEAK RESIDENTIAL REAL ESTATE MARKET SPURS MODERATE TAX BASE DECLINE

Growth has slowed in Concord's sizeable tax base. The 2010 assessed value declining by 4.5% to \$5 billion, a significant contrast to the five-year annual average growth of 11.4% from 2002-2007, reflecting softening regional real estate markets. Located along the Route 128/I-95 corridor in Middlesex County, Concord is a mature suburb west of Boston (G.O. rated Aa1/stable outlook) with very strong income indices that continue to increase. Per capita income is 198% of the commonwealth and 238% of the national medians while median family income is 187.9% of the commonwealth and 231% of the nation. In addition to a professional residential population, the town also benefits from the presence of a modestly-sized, but stable commercial sector including health care, research and development, and office space. Town officials anticipate moderate near-term expansion in the residential sector including up to 400 units of rental housing currently in progress; notably a recently-completed \$80 million assisted living and nursing home expansion adjacent to Emerson Hospital. The town's equalized valuation has grown at an average annual rate of 5.3% over the last six years, driven primarily by continued appreciation of residential properties, which, with a fiscal 2009 average single-family home value of \$899,866, are valued among the highest in the commonwealth. Overall, the tax base remains very strong as evidenced by a very high 2009 equalized value per capita of \$330,972.

FAVORABLE DEBT POSITION

Moody's believes that Concord's debt position will remain manageable, due to its modest 1.2% overall debt burden, an aggressive repayment schedule for non-excluded debt, steady anticipated tax base growth, and the town's commitment to pay-as-you-go capital financing, budgeted at \$1,560,000 in fiscal 2010. Concord's voters approved an exclusion from Proposition 2 1/2 for the \$27 million Willard School project, mitigating the impact of the associated debt service on general fund operations. Additionally, \$2.5 million in accumulated general fund reserves was transferred in fiscal 2009 to a capital projects stabilization account to offset additional debt service costs in the medium term. Additional voter approval may be sought for a renovation of the Concord Carlisle Regional High School, and an initial debt authorization of approximately \$1.3 million for a related feasibility study is expected to be proposed to the voters and at this spring's annual town meeting.

Debt service payments accounted for a manageable 7.5% of total fiscal 2009 (draft) expenditures, and the town repays its obligations at a slightly below average rate with 67.5% of principal retired within 10 years. Concord's amortization schedule has been extended significantly in recent years due to the issuance of approximately \$17 million in long-term debt through the Massachusetts Water Pollution Abatement Trust (MWPAT rated Aaa/stable outlook) for a wastewater treatment plant project. However, the town remains in compliance with its adopted policy to amortize all tax-supported non-excluded borrowing within ten years and all debt voted exempt from Proposition 2 1/2 within 20 years. The town also maintains a policy that restricts total pay-as-you-go capital spending and tax-supported non-excluded debt service to 8% of

budget.. Concord expects to issue approximately \$40 million in bonded debt in support of its \$61 million capital improvement plan through fiscal 2014 (including this issue); debt service on approximately \$10 million is anticipated to be self-supporting through user fees while roughly \$13 million in anticipated property-tax supported debt has been excluded from Proposition 2 ½. Concord has no exposure to variable or auction rate debt or swap agreements.

KEY STATISTICS

2009 population (estimated): 17,450 (+2.7% since 2000)

2009 Equalized Valuation: \$5.77 billion

2009 Equalized Value per capita: \$330,972

Average Annual Growth, Equalized Valuation (2003-2009): 5.3%

Median Family Income: \$115,839: (187% of commonwealth, 238% of nation)

Per Capita Income: \$51,477 (198% of commonwealth, 231% of nation)

FY08 General Fund balance: \$14.98 million (20.1% of General Fund revenues)

FY08 Unreserved General Fund balance: \$8.1 million (10.9% of General Fund revenues)

FY09 General Fund balance (draft): \$14.24 million (18.2% of General Fund revenues)

FY09 Unreserved General Fund balance (draft): \$8.9 million (11.4% of General Fund revenues)

Overall debt burden: 1.2%

Amortization of principal (10 years): 67.5%

Post-sale rated long-term G.O. debt outstanding: \$72 million

METHODOLOGY USED AND LAST RATING ACTION TAKEN

The principal methodology used in rating the Town of Concord, Massachusetts was Moody's "General Obligation Bonds Issued by U.S. Local Governments," published in October, 2009 and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action was on March 11, 2009 when the Aaa rating for the Town of Concord, Massachusetts was affirmed.

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